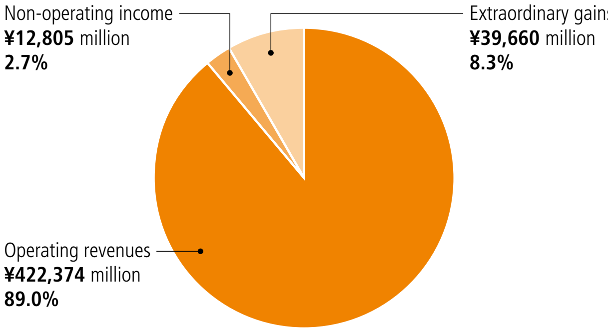
Economic Report

Delivering Economic Value to Stakeholders

Revenues in the Economic Report

For the purpose of this Economic Report, revenues represent the total of all revenues received by the Daiwa Securities Group (consolidated) in fiscal 2011—operating revenues, non-operating income and extraordinary gains. In fiscal 2011, operating revenues accounted for 89% of revenues.

Revenue Breakdown in the Economic Report in fiscal 2011



Segment Information

(Unit: ¥ million)

	Net Operating Revenues		Ordinary Income	
	FY2010	FY2011	FY2010	FY2011
Retail	178,970	**172,033**	41,866	**38,839**
Asset Management	36,324	**37,424**	15,948	**14,615**
Global Markets	61,495	**52,014**	(52,173)	**(54,433)**
Global Investment Banking	30,635	**26,473**	(14,733)	**(14,284)**
Investment	(15,277)	**1,090**	(21,476)	**(1,976)**
Others	26,416	**46,980**	(2,034)	**5,039**
Consolidated total	318,564	**336,016**	(32,602)	**(12,200)**

Distribution of Economic Value to Stakeholders

Economic value for the purpose of this Economic Report is calculated as revenues minus interest expenses (less interest paid), the cost of sales, selling, general and administrative expenses (less personnel costs, taxes, and expenditure for corporate citizenship activities), non-operating expenses (less interest paid), and extraordinary losses.

Executives and Employees

The distribution of economic value to executives and employees is the figure for personnel expenses (including reserves for salaries and bonuses, as well as welfare program costs and social insurance contributions). Daiwa has built a fair compensation system that is highly acceptable to all, in order to improve employee motivation and maximize the value provided to all stakeholders.

Society

Regardless of the ups and downs of the business cycle, we aim to provide stable funding for our corporate citizenship activities. See “Corporate Citizenship Initiatives and Expenditures” in the “Relationship with Society” section for a breakdown of these expenditures.

Shareholders

In fiscal 2011, the Group paid an interim dividend of ¥3 per share and a year-end dividend of ¥3 yen per share, for a total annual dividend of ¥6 yen per share.

Creditors

The Group pays interest to creditors.

Government

According to the Daiwa Securities Group’s financial accounting, the tax amount paid is the sum of current income taxes, deferred income taxes, and other taxes and duties including consumption tax.

Minority Shareholders

This is the profit and loss returned to the minority shareholders of the Daiwa Securities Group companies.

Changes in Distribution of Economic Value to Stakeholders

(Unit: ¥ million)

Stakeholders	FY2007	FY2008	FY2009	FY2010	FY2011	Tabulation method
Executives and employees	156,661	141,600	169,950	160,234	158,297	Personnel costs within selling and general administrative expenses
Society	962	924	618	560	475	Expenditure for corporate citizenship activities (details) *1
Dividends to shareholders	29,919	10,770	22,730	10,386	10,281	Interim and year-end dividends for the fiscal year
Creditors	53,630	44,923	29,030	35,642	39,082	Interest expense and interest paid on non-operating expenses
Government	48,102	(11,620)	57,587	16,755	30,980	Income taxes, resident and business taxes, deferred income taxes, other taxes and duties
Minority shareholders	(5,233)	(60,580)	4,089	(6,907)	(1,838)	Minority shareholder profit/loss
Internal reserves	16,492	(95,809)	20,699	(47,717)	(49,715)	Balance after deducting dividends for the term from net income for the fiscal year
Total economic value	300,533	30,208	304,703	168,953	187,562	Total of the above

*1 Excludes expenditure for Daiwa Anglo-Japanese Foundation

Comparison of Economic Report and Consolidated Financial Statements

(Unit: ¥ million)

		FY2007	FY2008	FY2009	FY2010	FY2011
Economic Report	Economic Report revenues	838,703	428,318	548,941	427,755	474,839
	Economic value	300,533	30,208	304,703	168,953	187,562
Consolidated financial statements	Operating revenues	825,422	413,936	537,915	403,402	422,374
	Net income/loss	46,411	(85,039)	43,429	(37,331)	(39,434)

* This data pertains to consolidated Group companies

Distribution of Economic Value to Stakeholders in FY2011